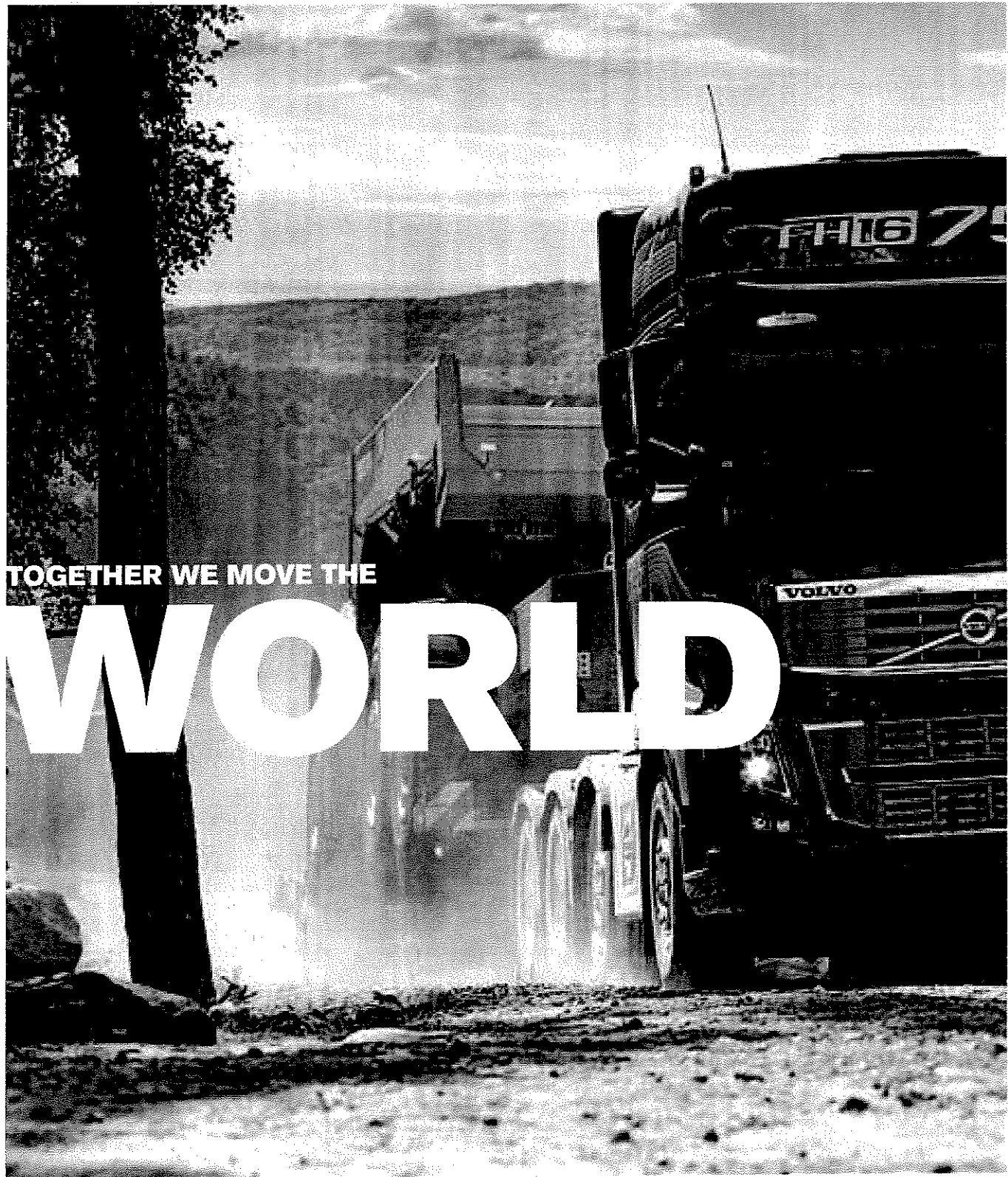


**THE VOLVO GROUP
ANNUAL REPORT 2011**

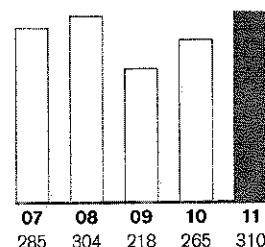


VOLVO

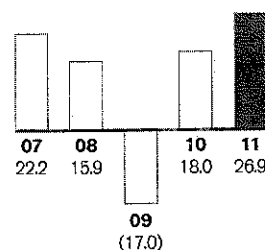
THE VOLVO GROUP 2011 STRONG EARNINGS

- » Highest net sales, operating income and operating margin thus far
- » Net sales rose by 17% to **SEK 310.4 billion (264.7)**
- » Operating income rose to **SEK 26.9 billion (18.0)**
- » Operating margin improved to **8.7% (6.8)**
- » Strong operating cash-flow in the Industrial Operations of **SEK 14.1 billion (19.0)**
- » Net debt in the Industrial Operations reduced to **25.2%** of shareholders' equity
- » Proposed dividend of **SEK 3.00** per share
- » **Olof Persson** assumed the position of Group CEO

Net sales, SEK bn



Operating income, SEK bn



Key ratios

	2011	2010
Net sales Volvo Group, SEK M	310,367	264,749
Operating income Volvo Group, SEK M	26,899	18,000
Operating income Industrial Operations, SEK M	25,957	17,834
Operating income Customer Finance, SEK M	942	167
Operating margin Volvo Group, %	8.7	6.8
Income after financial items, SEK M	24,929	15,514
Income for the period, SEK M	18,115	11,212
Diluted earnings per share, SEK	8.75	5.36
Dividend per share, SEK	3.00 ¹	2.50
Return on shareholders' equity, %	23.1	16.0

¹ According to the Board's proposal.

FINANCIAL PERFORMANCE

IMPROVED PROFITABILITY

For the full year 2011, the Volvo Group generated the highest net sales, the best operating income and the highest operating margin ever.¹

INCOME STATEMENTS VOLVO GROUP

SEK M		Industrial operations		Customer Finance		Eliminations		Volvo Group Total	
		2011	2010	2011	2010	2011	2010	2011	2010
Net sales	Note 6,7	303,589	257,375	8,883	9,031	(2,104)	(1,658)	310,367	264,749
Cost of sales		(231,516)	(197,480)	(5,693)	(5,974)	2,104	1,658	(235,104)	(201,797)
Gross income		72,073	59,895	3,190	3,057	0	0	75,263	62,952
Research and development expenses	Note 6	(13,276)	(12,970)	0	0	0	0	(13,276)	(12,970)
Selling expenses		(24,383)	(22,649)	(1,618)	(1,500)	0	0	(26,001)	(24,149)
Administrative expenses		(7,105)	(5,640)	(27)	(25)	0	0	(7,132)	(5,666)
Other operating income and expenses	Note 8	(1,045)	(659)	(603)	(1,365)	0	0	(1,649)	(2,023)
Income from investments in associated companies	Note 5,6	(82)	(86)	0	0	0	0	(81)	(86)
Income from other investments	Note 5	(225)	(57)	0	0	0	0	(225)	(58)
Operating income		25,957	17,834	942	167	0	0	26,899	18,000
Interest income and similar credits		644	544	0	0	(37)	(102)	608	442
Interest expenses and similar charges		(2,912)	(3,244)	0	0	37	102	(2,875)	(3,142)
Other financial income and expenses	Note 9	297	213	0	0	0	0	297	213
Income after financial items		23,986	15,347	942	167	0	0	24,929	15,514
Income taxes	Note 10	(6,490)	(4,168)	(323)	(134)	0	0	(6,814)	(4,302)
Income for the period*		17,496	11,179	619	32	0	0	18,115	11,212
* Attributable to:									
Equity holders of the parent company								17,751	10,866
Minority interests	Note 11							364	346
								18,115	11,212
Basic earnings per share, SEK	Note 19							8.76	5.36
Diluted earnings per share, SEK	Note 19							8.75	5.36

OTHER COMPREHENSIVE INCOME

SEK M		2011	2010
Income for the period		18,115	11,212
Translation differences on foreign operations		(980)	(3,891)
Translation differences on hedge instruments of net investment in foreign operations		(3)	113
Accumulated translation difference reversed to income		(30)	(95)
Available-for-sale investments		39	148
Change in cash flow hedge reserve	Note 19	(144)	(156)
Other comprehensive income, net of income taxes		(1,118)	(3,881)
Total comprehensive income for the period		16,997	7,331
Attributable to:			
Equity holders of the Parent Company		16,551	7,016
Minority interests		446	315
		16,997	7,331

¹ Since 1999, when the Group's operation was directed towards commercial vehicles.

The Volvo Group

Net sales

Net sales for the Volvo Group increased by 17% to SEK 310,367 M in 2011, compared with SEK 264,749 M in the preceding year.

Operating income

Volvo Group operating income improved to SEK 26,899 M (18,000).

Operating income for the Industrial Operations increased to SEK 25,957 M compared with SEK 17,834 M in the preceding year. The Customer Finance operations' operating income rose to SEK 942 M (167).

Net financial items

Net interest expense was SEK 2,267 M, compared with SEK 2,700 M in the preceding year.

During the year, market valuation of derivatives, mainly used for eliminating interest exposure in the customer financing portfolio, had a positive effect on Other financial income and expenses in an amount of SEK 544 M. During 2010 the impact was positive and amounted to SEK 871 M.

The currency in Venezuela was devalued twice during 2010, which negatively impacted Other financial income and expenses by SEK 274 M in 2010.

Income taxes

The tax expense for the year amounted to SEK 6,814 M (4,302) corresponding to a tax rate of 27% (28).

Income for the period and earnings per share

The income for the period amounted to SEK 18,115 M (11,212), corresponding to diluted earnings per share of SEK 8.75 (5.36). The return on shareholders' equity was 23.1% (16.0).

Net sales by business area, SEK M	2011	2010	%
Trucks	200,703	167,305	20
Construction Equipment	64,987	53,810	21
Buses	22,289	20,516	9
Volvo Penta	8,859	8,716	2
Volvo Aero	6,509	7,708	(16)
Eliminations and other	242	(680)	
Industrial Operations¹	303,589	257,375	18
Customer Finance	8,883	9,031	(2)
Reclassifications and eliminations	(2,104)	(1,658)	
Volvo Group	310,367	264,749	17

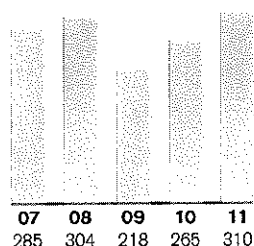
1 Adjusted for acquired and divested units and changes in currency rates, net sales increased by 20%.

Operating margin, %	2011	2010
Trucks	9.1	6.0
Construction Equipment	10.2	11.5
Buses	4.6	3.8
Volvo Penta	8.8	6.6
Volvo Aero	5.2	3.7
Industrial Operations	8.6	6.9
Volvo Group	8.7	6.8

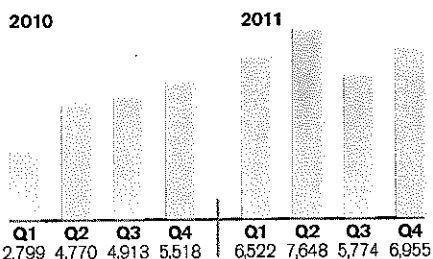
Operating income (loss) by business area, SEK M	2011	2010
Trucks	18,260	10,112
Construction Equipment	6,653	6,180
Buses	1,036	780
Volvo Penta	781	578
Volvo Aero	336	286
Eliminations and other	(1,109)	(102)
Industrial Operations	25,957	17,834
Customer Finance	942	167
Volvo Group	26,899	18,000

Change in operating income, SEK bn	
Operating income 2010	18.0
Gross income	19.4
Recognition of VAT credits in Brazil relating to previous years	0.6
Disturbances in operations in Japan as an effect of the earthquake and tsunami	(0.7)
Result from divestments of companies in 2010	0.2
Changes in currency exchange rates, Industrial operations	(5.2)
Write-down of shares listed in Japan	(0.2)
Higher capitalization of development costs	1.0
Higher research and development expenditures	(2.0)
Tax credit for research and development activities	0.3
Higher selling and administrative expenses	(4.7)
Lower credit losses	0.6
Other	(0.4)
Operating income 2011	26.9

Net sales, SEK bn



Operating income, SEK M



Industrial Operations

In 2011, net sales for the Volvo Group's Industrial Operations increased by 18% to SEK 303,589 M (257,375).

Compared with 2010, sales increased in all of the Group's market areas. Sales increased strongly in Eastern Europe and had a very positive development in North America, South America and Asia. In Western Europe demand weakened towards the end of the year.

Considerable earnings improvement

In 2011, the operating income for the Volvo Group's Industrial Operations amounted to SEK 25,957 M compared to SEK 17,834 M in the

preceding year. The operating margin for the Industrial Operations amounted to 8.6% (6.9).

The earnings improvement is the result of increased sales and improved cost coverage in the industrial system, as an effect of increased production levels.

In 2011, research and development expenses amounted to SEK 13,276 M (12,970). The continued high cost level is primarily a consequence of projects relating to new emission regulations in Europe and South America and the development of products for the growth markets.

Selling expenses increased by 8% and administration expenses by 26%.

Since return on equity was 23,1%, SEK 550 M was provisioned for profit-sharing to employees.

Impact of exchange rates on operating income

The combined effect of changed exchange rates had a negative effect on operating income of approximately SEK 5.2 billion in 2011, compared with 2010. This is mainly attributable to that the USD was weak during most of 2011.

Income Statement Industrial Operations, SEK M	2011	2010
Net sales	303,589	257,375
Cost of sales	(231,516)	(197,480)
Gross income	72,073	59,895
Gross margin, %	23.7	23.3
Research and development expenses	(13,276)	(12,970)
Selling expenses	(24,383)	(22,649)
Administrative expenses	(7,105)	(5,640)
Other operating income and expenses	(1,045)	(659)
Income from investments in associated companies	(82)	(86)
Income from other investments	(225)	(57)
Operating income (loss) Industrial Operations	25,957	17,834
Operating margin, %	8.6	6.9

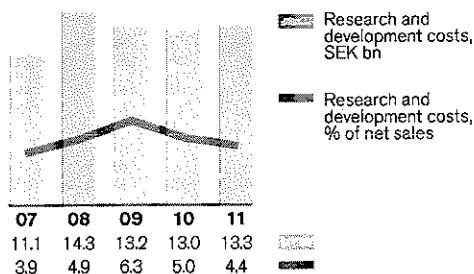
Net sales by market area, SEK M	2011	2010	%
Western Europe	97,925	87,241	12
Eastern Europe	20,298	12,570	61
North America	58,253	45,409	28
South America	34,013	27,876	22
Asia	73,017	65,072	12
Other markets	20,083	19,207	5
Total Industrial Operations	303,589	257,375	18

Impact of exchange rates on operating income	
Compared with preceding year, SEK M	
Net sales ¹	(20,286)
Cost of sales	13,280
Research and development expenses	397
Selling and administrative expenses	1,408
Total effect of changes in exchange rates on operating income	(5,201)

¹ Group sales are reported at monthly spot rates and the effects of currency hedges are reported among Cost of sales.

Operating net flow per currency	2011	2010
Local currency, million		
USD	3,970	2,410
EUR	57	373
GBP	555	405
CAD	397	241
JPY (x100)	(218)	(103)

Research and development costs



Customer Finance Operations

Total new financing volume in 2011 amounted to SEK 44.8 billion (35.1). Adjusted for changes in exchange rates, new business volume increased by 35% compared to 2010 as a result of increased sales volumes of the Volvo Group products and stable penetration levels. In total, 49,757 new Volvo vehicles and machines (34,522) were financed during the year. In the markets where financing is offered, the average penetration rate was 25% (25).

As of December 31, 2011, the credit portfolio was SEK 95,544 M (84,550). During 2011 the credit portfolio increased by 13.8% (decrease: 4.4),

adjusted for exchange-rate movements. The funding of the credit portfolio is matched in terms of maturity, interest rates and currencies in accordance with Volvo Group policy. For further information see note 15.

The operating income for the year amounted to SEK 942 M compared to SEK 167 M in the previous year. Return on shareholders' equity was 7.3% (0.4). The equity ratio at the end of the year was 9.1% (9.0). The improvement in profitability is driven mainly by lower credit provisions and higher earning assets. During the year, credit provision expenses amounted to

SEK 682 M (1,438) while write-offs of SEK 804 M (1,460) were recorded. The write-off ratio for 2011 was 0.93% (1.65). At the end of December 31, 2011, credit reserves were 1.33% (1.69%) of the credit portfolio.

Income Statement Customer Finance, SEK M	2011	2010
Finance and lease income	8,883	9,031
Finance and lease expenses	(5,693)	(5,974)
Gross income	3,190	3,057
Selling and administrative expenses	(1,645)	(1,526)
Credit provision expenses	(682)	(1,438)
Other operating income and expenses	78	73
Operating income (loss)	942	167
Income taxes	(323)	(134)
Income (Loss) for the period	619	32
Return on Equity	7.3	0.4

Key ratios, Customer Finance¹	2011	2010
Credit portfolio net, SEK bn	94.3	83.1
Operating income, SEK M	942	167
Return on shareholders' equity, %	7.3	0.4
Total penetration rate, %	24.8	24.5

Penetration by business area¹, %	2011	2010
Volvo CE	35	35
Volvo Trucks	27	29
Renault Trucks	19	17
Mack Trucks	20	20
Buses	15	11
UD Trucks	14	12

¹ Share of unit sales financed by Volvo Financial Services in relation to the total number units sold by the Volvo Group in markets where financial services are offered.



FINANCIAL POSITION IMPROVED DURING THE YEAR

Net debt in the Volvo Group's Industrial Operations amounted to SEK 19.3 billion at December 31, 2011, equal to 25.2% of shareholders' equity. Excluding provisions for post-employment benefits the Industrial Operation's net debt amounted to SEK 15.0 billion, which was equal to 19.5% of shareholders' equity.

BALANCE SHEETS VOLVO GROUP

SEK M		Industrial Operations		Customer Finance		Eliminations		Volvo Group	
		Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010
Assets									
Non-current assets									
Intangible assets	Note 12	39,385	40,613	122	101	-	-	39,507	40,714
<i>Tangible assets</i>	Note 13								
Property, plant and equipment		53,563	53,221	94	72	-	-	53,657	53,294
Investment property		883	948	-	-	-	-	883	948
Assets under operating leases		16,749	13,217	11,525	10,055	(4,352)	(3,625)	23,922	19,647
<i>Financial assets</i>									
Shares and participation	Note 5	1,871	2,080	3	18	-	-	1,874	2,098
Non-current customer-financing receivables	Note 15	579	598	44,651	36,270	(4,612)	(843)	40,618	36,025
Deferred tax assets	Note 10	12,480	12,019	358	291	-	-	12,838	12,310
Prepaid pensions	Note 20	2,263	1,636	14	12	-	-	2,277	1,648
Non-current interest-bearing receivables	Note 16	757	941	-	204	(63)	(379)	694	766
Other non-current receivables	Note 16	4,500	3,401	50	41	(235)	(24)	4,315	3,418
Total non-current assets		133,030	128,674	56,817	47,064	(9,262)	(4,871)	180,585	170,868
Current assets									
Inventories	Note 17	43,828	38,956	771	882	-	-	44,599	39,837
<i>Current receivables</i>									
Customer-financing receivables	Note 15	1,123	830	38,050	36,897	(1,092)	(1,064)	38,081	36,663
Tax assets		1,152	1,045	48	90	-	-	1,200	1,135
Interest-bearing receivables	Note 16	1,461	1,071	226	1,283	(1,020)	(2,012)	667	342
Internal funding ¹		2,253	7,505	-	-	(2,253)	(7,505)	-	-
Accounts receivable	Note 16	27,492	24,332	207	101	-	-	27,699	24,433
Other receivables	Note 16	13,438	11,561	1,411	1,352	(1,024)	(1,056)	13,825	11,857
Non interest-bearing assets held for sale	Note 3	9,344	136	-	-	-	-	9,344	136
Interest-bearing assets held for sale	Note 3	4	-	-	-	-	-	4	-
Marketable securities	Note 18	6,838	9,735	24	32	-	-	6,862	9,767
Cash and cash equivalents	Note 18	29,113	21,756	1,593	1,545	(327)	(335)	30,379	22,966
Total current assets		136,046	116,928	42,330	42,182	(5,717)	(11,970)	172,659	147,139
Total assets		269,076	245,602	99,147	89,246	(14,979)	(16,841)	353,244	318,007
Shareholders' equity and liabilities									
	Note 19								
Equity attributable to the equity holder of the Parent Company		75,582	65,090	8,999	8,020	-	-	84,581	73,110
Minority interests		1,100	1,011	-	-	-	-	1,100	1,011
Total shareholders' equity		76,682	66,101	8,999	8,020	-	-	85,681	74,121
<i>Non-current provisions</i>									
Provisions for post-employment benefits	Note 20	6,635	7,478	30	32	-	-	6,665	7,510
Provisions for deferred taxes	Note 10	4,171	3,026	1,465	1,496	-	-	5,636	4,522
Other provisions	Note 21	5,492	5,785	154	150	2	1	5,648	5,936
<i>Non-current liabilities</i>									
Bond loans		38,192	38,767	-	-	-	-	38,192	38,767
Other loans		38,848	37,180	8,974	8,225	(57)	(78)	47,765	45,327
Internal funding ¹		(35,453)	(26,971)	33,459	25,927	1,994	1,044	-	-
Other liabilities		12,902	11,172	740	389	(3,195)	(2,330)	10,447	9,231
Current provisions	Note 21	9,438	8,429	92	105	1	1	9,531	8,534
<i>Current liabilities</i>									
Loans	Note 22	38,644	32,101	6,741	8,299	(863)	(799)	44,522	39,601
Internal funding ¹		(24,837)	(21,220)	35,373	33,643	(10,536)	(12,423)	-	-
Non interest-bearing liabilities held for sale	Note 3	4,710	135	-	-	-	-	4,710	135
Interest-bearing liabilities held for sale	Note 3	6	-	-	-	-	-	6	-
Trade payables		56,546	47,111	242	139	-	-	56,788	47,250
Tax liabilities		2,220	1,571	171	161	-	-	2,391	1,732
Other liabilities		34,880	34,937	2,707	2,660	(2,325)	(2,257)	35,262	35,341
Total shareholders' equity and liabilities		269,076	245,602	99,147	89,246	(14,979)	(16,841)	353,244	318,007

The Volvo Group's cash, cash equivalents and marketable securities combined, amounted to SEK 37.2 billion at December 31, 2011. Of this, SEK 9.3 billion are restricted for immediate use by the Volvo Group compared to SEK 7.4 billion a year earlier. In addition to this, granted but not utilized credit facilities amounted to SEK 33.4 billion.

Total assets in the Group amounted to SEK 353.2 billion on December 31, 2011, an increase of SEK 35.2 billion compared to year-end 2010. The increase is mainly a result of increase in inventories and accounts receivables, increased customer financing receivables due to portfolio growth in the Customer Finance Operations and increase in assets under operating lease mainly related to the construction equipment rental operation.

The Group's intangible assets amounted to SEK 39.5 billion on December 31, 2011. Investments in research and development amounted to SEK 4.2 billion in 2011, resulting in a net value of capitalized development costs of SEK 11.5 billion at the end of the year. The Group's total goodwill amounted to SEK 23.9 billion on December 31, 2011, an increase by SEK 1.0 billion compared to year-end 2010 as a result of acquisitions in the construction equipment rental operation.

The tangible assets increased by SEK 4.6 billion during 2011, mainly related to the expansion in the construction equipment rental operation.

The value of the inventories increased by SEK 4.8 billion during 2011. The increase is mainly related to finished products within the truck operations and construction equipment.

The net value of assets and liabilities related to pensions and similar obligations amounted to SEK 4.4 billion on December 31, 2011, a decrease of SEK 1.5 billion compared to year-end 2010. Post-employment benefits valued at SEK 12.2 billion were reported outside the Volvo Group's balance sheet. For further information see Note 20.

At year-end, the equity ratio in the Industrial Operations was 28.5% and in the Volvo Group 24.3%. Shareholder's equity in the Volvo Group amounted to SEK 85.7 billion at December 31, 2011.

Net debt, Industrial Operations, SEK bn

2010				2011			
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
(45.0)	(39.9)	(38.4)	(24.7)	(27.3)	(28.3)	(29.6)	(19.3)

Net financial position, SEK M

	Industrial Operations		Volvo Group	
	Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010
Non-current interest-bearing assets				
Non-current customer-financing receivables	-	-	40,618	36,025
Non-current interest-bearing receivables	757	941	694	766
Current interest-bearing assets				
Customer-financing receivables	-	-	38,081	36,663
Interest-bearing receivables	1,461	1,071	667	342
Internal funding	2,253	7,505	-	-
Interest-bearing assets held for sale	4	-	4	-
Marketable securities	6,838	9,735	6,862	9,767
Cash and bank	29,113	21,756	30,379	22,966
Total financial assets	40,426	41,008	117,305	106,529
Non-current interest-bearing liabilities				
Bond loans	(38,192)	(38,767)	(38,192)	(38,767)
Other loans	(38,848)	(37,180)	(47,765)	(45,327)
Internal funding	35,453	26,971	-	-
Current interest-bearing liabilities				
Loans	(38,644)	(32,101)	(44,522)	(39,601)
Internal funding	24,837	21,220	-	-
Interest-bearing liabilities held for sale	(6)	-	(6)	-
Total financial liabilities	(55,400)	(59,857)	(130,485)	(123,695)
Net financial position excl. post employment benefits	(14,974)	(18,849)	(13,180)	(17,166)
Provision for post employment benefits, net	(4,372)	(5,842)	(4,388)	(5,862)
Net financial position incl. post employment benefits	(19,346)	(24,691)	(17,568)	(23,028)

Change in net financial position, Industrial Operations, SEK bn		2011	2010
Beginning of period		(24.7)	(41.5)
Cash flow from operating activities		26.9	28.8
Investments in fixed assets (to)/from		(14.0)	(10.6)
Disposals		1.2	0.8
Operating cash-flow		14.1	19.0
Investments and divestments of shares		(0.1)	(0.1)
Acquired and divested operations, net		(3.0)	0.2
Capital injections (to)/from Customer Finance Operations		(0.1)	(0.5)
Currency effect		(1.9)	(1.6)
Payment to AB Volvo shareholders		(5.1)	-
Dividend paid to minority shareholders		0.0	(0.1)
Other		1.5	(0.1)
Total change		5.4	16.8
Net financial position at end of period		(19.3)	(24.7)

CASH-FLOW STATEMENT

STRONG OPERATING CASH-FLOW

During 2011, operating cash flow in the Industrial Operations amounted to SEK 14.1 billion (19.0).

CONSOLIDATED CASH-FLOW STATEMENTS									
SEK M	Industrial operations		Customer Finance		Eliminations		Volvo Group Total		
	Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010	Dec 31 2011	Dec 31 2010	
Operating activities									
Operating income (loss)	25,957	17,834	942	167	0	(1)	26,899	18,000	
Depreciation tangible assets	Note 13	6,109	6,060	15	15	0	2	6,124	6,077
Amortization intangible assets	Note 12	3,227	3,282	20	23	0	0	3,247	3,305
Depreciation leasing vehicles	Note 13	2,083	1,996	2,537	2,415	1	(1)	4,621	4,410
Other non-cash items	Note 29	622	170	614	1,330	26	61	1,262	1,561
Total change in working capital whereof		(4,180)	4,576	(13,831)	148	2,926	77	(15,085)	4,801
Change in accounts receivable		(3,094)	(4,049)	(101)	316	0	0	(3,195)	(3,733)
Change in customer financing receivables		(240)	(174)	(14,202)	(1,271)	3,007	98	(11,435)	(1,347)
Change in inventories		(7,099)	(4,769)	(155)	847	0	1	(7,254)	(3,921)
Change in trade payables		9,871	13,057	107	(46)	0	0	9,978	13,011
Other changes in working capital		(3,618)	511	520	302	(81)	(22)	(3,179)	791
Interest and similar items received		720	532	-	-	(42)	(103)	678	429
Interest and similar items paid		(3,391)	(2,768)	-	-	12	36	(3,379)	(2,732)
Other financial items		(184)	(604)	-	-	0	0	(184)	(604)
Income taxes paid		(4,129)	(2,255)	(384)	(336)	0	1	(4,513)	(2,590)
Cash flow from operating activities		26,834	28,823	(10,087)	3,762	2,923	72	19,670	32,657
Investing activities									
Investments in tangible assets		(8,267)	(6,729)	(50)	(97)	27	67	(8,290)	(6,759)
Investments in intangible assets		(4,293)	(3,557)	(20)	(18)	0	0	(4,313)	(3,575)
Investment in leasing vehicles		(1,422)	(295)	(6,044)	(4,554)	53	38	(7,413)	(4,811)
Disposals of fixed assets and leasing vehicles		1,233	776	2,099	2,293	0	(2)	3,332	3,067
Operating cash flow		14,085	19,018	(14,102)	1,386	3,003	175	2,986	20,579
Investments and divestments of shares, net	Note 5,29							(119)	(106)
Acquired and divested operations, net	Note 3,29							(1,590)	617
Interest-bearing receivables incl marketable securities								2,665	6,813
Cash-flow after net investments								3,942	27,903
Financing activities									
Change in loans, net	Note 29							8,734	(25,711)
Dividend to AB Volvo shareholders								(5,069)	-
Dividend to minority shareholders								(2)	(75)
Other								(30)	(25)
Change in cash and cash equivalents excl. translation differences								7,575	2,092
Translation difference on cash and cash equivalents								(162)	(360)
Change in cash and cash equivalents								7,413	1,732
Cash and cash equivalents, Beginning of year	Note 18							22,966	21,234
Cash and cash equivalents, End of year	Note 18							30,379	22,966

The cash flow within Industrial Operations was positively affected by the operating income and negatively affected by the increased working capital. Accounts receivables and inventories increased with SEK 3.1 and 7.1 billion respectively, partly offset by the increase of trade payables of SEK 9.9 billion.

Financial items and paid income taxes had a SEK 6.9 billion negative effect on cash flow within Industrial Operations, mainly through payments of interests and income tax.

Operating cash flow within Customer Finance was a negative SEK 14.1 billion (pos: SEK 1.4 billion), mainly due to increased customer financing-receivables.

Investments

The Industrial Operations' investments in fixed assets and capitalized R&D during 2011 amounted to SEK 12.6 billion (10.3).

Capital expenditures in Trucks amounted to SEK 8.4 billion (7.2). The capital expenditures within Trucks consist to a large extent of investments related to product renewals in our product program, with product development activities and required adaptations in the plants. In the plants there are also ongoing investments aiming for increased capacity and flexibility, mainly in the cab plant in Umeå, Sweden, and in the engine plants with machining and assembly processes in Skövde, Sweden, and Ageo, Japan. During 2011 we have also invested in the dealer network and workshops, mainly in Europe and Asia, as well as in our joint venture VE Commercial Vehicles (VECV).

Capital investments for Construction Equipment amounted to SEK 1.9 billion (1.4). As for

previous year, the majority of the investments refer to expansion of the excavator business for both Volvo brand and SDLG brand. During 2011 mainly China and Korea have been impacted, in capacity investments in machining and assembly area. Product related investments during the year refer to the emission regulations in Europe and North America, and Tier 2 and Tier 3 requirements for new models in the BRIC countries.

The investments within Volvo Aero was during 2011 SEK 0.5 billion (0.8). The majority of the investments refer to the involvement in the new engine programs, PW1100G and PW1000G with Pratt & Whitney, and Trent XWB with Rolls-Royce. The investments also refer to finalization of a number of investments in Volvo Aero's production facilities in order to secure the capacity required for the XWB and GP7000 program (P&W), and rationalizations in the spool shop.

The investments in Buses were SEK 0.3 billion (0.2), and in Volvo Penta SEK 0.2 billion (0.2).

Investments in leasing assets amounted to SEK 1.4 billion (0.3), the increase versus previous year refers mainly to expansion of the rental fleet as well as replacement of existing fleet.

For 2012, the Volvo Group estimates that investments in property, plant and equipment will be around SEK 10 billion. The investment level is however pending the market development, and in order to be able to adapt the level, the ongoing and future investments are continuously reviewed and prioritized. The investments in coming product programs continue during 2012, as well as the expansion of the business in the BRIC countries.

Acquisitions and divestments

Acquired and divested operations 2011 had a negative impact on cash flow of SEK 1.6 billion (positive 0.6).

Acquired operations refer mainly to several minor acquisitions of assets and liabilities in construction equipment rental operations. The remaining minority interest in Volvo Aero Norge and UD Trucks South Africa has also been acquired during the year.

Financing and dividend

Net borrowings increased cash and cash equivalents by SEK 8.7 billion during 2011.

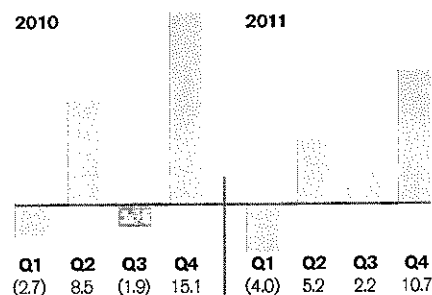
During the year dividend of SEK 5.1 billion, corresponding to SEK 2.50 per share, was paid to the shareholders of AB Volvo.

Change in cash and cash equivalents

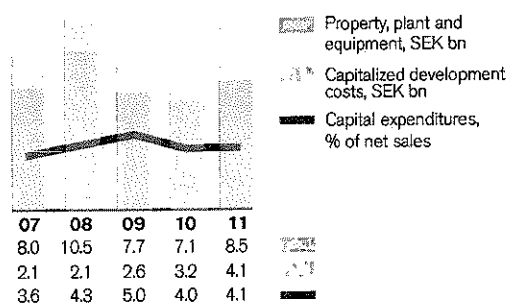
The Group's cash and cash equivalents increased by SEK 7.4 billion during the year and amounted to SEK 30.4 billion at December 31, 2011.

» Refer to Note 29 for principles for preparing the cash flow analysis.

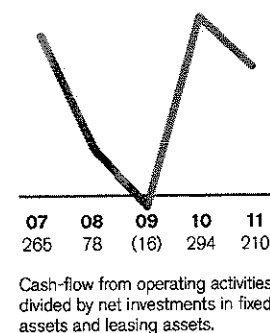
Operating cash flow, Industrial Operations, SEK bn



Capital expenditures, Industrial Operations



Self-financing ratio, Industrial Operations %



FINANCIAL INFORMATION 2011 »

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

SEK M	Shareholders' equity attributable to equity holders of the Parent Company						Minority interests	Total equity
	Share capital	Other reserves ¹	Translation reserve	Retained earnings	Total			
Balance at December 31, 2009	2,554	123	6,112	57,616	66,405	629		67,034
Transition effect IFRS 3, capitalized transaction costs	-	-	-	(135)	(135)	-		(135)
Total equity at beginning of period	2,554	123	6,112	57,481	66,270	629		66,899
Income for the period	-	-	-	10,866	10,866	346		11,212
<i>Other comprehensive income</i>								
Translation differences on foreign operations	-	-	(3,859)	-	(3,859)	(32)		(3,891)
Translation differences on hedge instruments of net investments in foreign operations	-	-	113	-	113	-		113
Accumulated translation differences reversed to income	-	-	(95)	-	(95)	-		(95)
Available-for-sale investments: Note 5, 19								
Gains/losses at valuation to fair value	-	148	-	-	148	-		148
Change in cash flow hedge reserve Note 19	-	(156)	-	-	(156)	-		(156)
Other comprehensive income	-	(8)	(3,841)	-	(3,849)	(32)		(3,881)
Total income for the period	-	(8)	(3,841)	10,866	7,017	314		7,331
<i>Transactions with shareholders</i>								
Dividends to shareholders	-	-	-	-	-	(412)		(412)
Capital contribution	-	-	-	-	-	358		358
Share based payments Note 27	-	-	-	-	-	-		-
Changes in minority interests	-	-	-	(180)	(180)	115		(65)
Other changes	-	-	-	3	3	7		10
Transactions with shareholders	-	-	-	(177)	(177)	68		(109)
Balance at December 31, 2010	2,554	115	2,271	68,170	73,110	1,011		74,121
Income for the period	-	-	-	17,751	17,751	364		18,115
<i>Other comprehensive income</i>								
Translation differences on foreign operations	-	-	(1,062)	-	(1,062)	82		(980)
Translation differences on hedge instruments of net investments in foreign operations	-	-	(3)	-	(3)	-		(3)
Accumulated translation differences reversed to income	-	-	(30)	-	(30)	-		(30)
Available-for-sale investments: Note 5, 19								
Gains/losses at valuation to fair value	-	39	-	-	39	-		39
Change in cash flow hedge reserve Note 19	-	(144)	-	-	(144)	-		(144)
Other comprehensive income for the period	-	(105)	(1,095)	-	(1,200)	82		(1,118)
Total income for the period	-	(105)	(1,095)	17,751	16,551	446		16,997
<i>Transactions with shareholders</i>								
Dividends to shareholders	-	-	-	(5,069)	(5,069)	(2)		(5,071)
Transactions with minority interests	-	-	-	(67)	(67)	-		(67)
Share based payments Note 27	-	-	-	57	57	-		57
Changes in minority interests	-	-	-	-	-	(356)		(356)
Other changes	-	-	-	(1)	(1)	1		(0)
Transactions with shareholders	-	-	-	(5,080)	(5,080)	(357)		(5,437)
Balance at December 31, 2011	2,554	10	1,176	80,841	84,581	1,100		85,681

¹ For specification of other reserves, see Note 19.